

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham & Gellray, P.C.</i> <i>Alan M. Stone</i>			Date	

**DeWitt Area Recreation Authority
DeWitt, Michigan**

FINANCIAL STATEMENTS

December 31, 2004

DeWitt Area Recreation Authority

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
DeWitt Area Recreation Authority
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the DeWitt Area Recreation Authority as of and for the year ended December 31, 2004, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the DeWitt Area Recreation Authority as of December 31, 2004, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 9, 2005



Commissioners

Doug Simon
Tim Kangas
Phyllis Daggy
Richard Paulsen
Matthew Kulhanek
Dave Hunsaker

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Staci Leyko, CPRP

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Management's Discussion and Analysis For the Fiscal Year Ended December 31, 2004

The intent of the management discussion and analysis is to provide highlights of the Authority's financial activities for the Fiscal Year ended December 31, 2004. Readers are encouraged to read this section in conjunction with the basic financial statements.

Financial Highlights

- The assets of the Authority exceeded its liabilities at December 31, 2004 by \$104,376 at the government-wide level. This amount represents the balance of the Authority's unrestricted net assets and may be used to meet the Authority's ongoing obligations.
- As of the close of the current fiscal year, the DeWitt Area Recreation Authority's governmental fund reported an ending fund balance of \$104,128.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$104,128, or 59.45% of total general fund expenditures for the fiscal year ended December 31, 2004.

Overview of the Financial Statements

The DeWitt Area Recreation Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

- The first column of the financial statements includes information on the Authority's Special Revenue Fund under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Authority's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Authority's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

...promoting community and quality of life through leisure services...

Government-wide Financial Statements: The government-wide financial statements provide information about the activities of the entire Authority. They present an overall view of the Authority's finances, reporting the assets and liabilities on fiscal period ended December 31, 2004.

The statement of net assets presents information on all of the DeWitt Area Recreation Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported using the accrual basis of accounting.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The DeWitt Area Recreation Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority operates with one fund, which is considered a special revenue fund.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The notes to the financial statements provide reconciliations between the fund level and government-wide financial statements to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3-8 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgeted revenues and expenditures on page 9. The DeWitt Area Recreation Authority adopts an annual appropriated budget for its Special Revenue Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of DeWitt Area Recreation Authority, assets exceeded liabilities by \$104,376. A comparative analysis of data is presented below for the condensed statement of net assets as of December 31, 2003 and 2004.

TABLE 1
CONDENSED STATEMENT OF NET ASSETS

	December 31,	
	<u>2003</u>	<u>2004</u>
Current assets	\$ 60,968	\$ 112,920
Noncurrent assets	<u>-</u>	<u>4,878</u>
Total assets	<u>\$ 60,968</u>	<u>\$ 117,798</u>
Current liabilities	\$ 11,995	\$ 12,033
Noncurrent liabilities	<u>808</u>	<u>1,389</u>
Total liabilities	<u>\$ 12,803</u>	<u>\$ 13,422</u>
Net assets		
Unrestricted	<u>\$ 48,165</u>	<u>\$ 104,376</u>

Unrestricted net assets (the part of net assets that can be used to finance day to day operations) stand at approximately 59% of expenses for the fiscal year ended December 31, 2004. This is well above our desired range, and will decrease as portions of the net assets are used in the upcoming years.

TABLE 2
CONDENSED STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET ASSETS

	Years Ended December 31,	
	<u>2003</u>	<u>2004</u>
Program revenue		
Charges for services	\$ 30,750	\$ 75,393
General revenue		
Intergovernmental - local	100,000	150,000
Interest	214	494
Other	<u>655</u>	<u>2,548</u>
Total revenues	131,619	228,435
Current Expenses		
Recreation services	<u>83,454</u>	<u>172,224</u>
Change in net assets	<u>\$ 48,165</u>	<u>\$ 56,211</u>

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses and Changes in Net Assets shows how total revenues and expenses increased the net assets. Program revenues of \$75,393, less operating recreation expenses of \$172,224 show that the day to day operations of the Authority were not being met by user fees, but program revenues covered 43.78% of total expenses in 2004 as compared to 36.85% of total expenses in 2003.

The Authority's program revenues and total expenses increased drastically over the prior fiscal 6 month period. This is related to full year operations versus a 6 month period of operations. If one was to double the program revenues and total expenses from the 6 month financial period to compare to a full year financial period, the program revenue increased 22.6% over the 2003 fiscal period and total expenses increased 3.2% over the 2003 fiscal period.

Capital Assets and Debt Administration: A comparative analysis of capital assets as of December 31, 2003 and 2004 follows:

TABLE 3
CAPITAL ASSETS

	<u>2003</u>	<u>2004</u>
Equipment	\$ -	\$ 5,253
Less accumulated depreciation for:		
Equipment	<u>-</u>	<u>(375)</u>
Capital assets, net	<u>\$ -0-</u>	<u>\$ 4,878</u>

Long-term Obligations: The DeWitt Area Recreation Authority does not have any outstanding debt issues. The only long-term obligation the Authority currently has relates to compensated absences (e.g., unused vacation and personal leave). The total liability for this long-term obligation at December 31, 2004 is \$4,630 which shows an increase of \$1,938 over fiscal period ended December 31, 2003.

Governmental Fund Budgetary Highlights

There are significant variances between the final budget and actual amounts for a number of the current expenditure items. Being the organization is in its first full year of operation, many expenses were estimated and not based on actual comparisons with previous years' expenditures. Overestimating the cost of fringe benefits, contracted services and a savings in necessary program supplies contributed to our savings in budgeted expenditures. Increased program revenues due to the formation of new programs and increases in participants in existing programs led to increased revenues. These savings and increases in revenues led to significant variances between the final budget and actual amounts.

Economic Factors and Next Year's Budget and Rates

For the fiscal year ending December 31, 2005, we anticipate increased revenues and expenditures based on increased programming and rises in program supplies, salaries and wages and associated benefits. With a guaranteed intergovernmental revenue contribution, economic factors will not greatly impact the financial condition of the Authority. Poor economic conditions may decrease discretionary income thus decreasing revenue based on program participation numbers.

A portion of the fund balance should be used for day to day operations during the fiscal year ending December 31, 2005 causing a decrease in the Authority's net assets. The Authority will continue to budget for a decrease in the fund balance to reach a desired fund balance percentage of 5%-10%.

Because the services of the DeWitt Area Recreation Authority are provided based on the ability to pay, a substantial fee increase is unlikely. Higher operating costs will continue to increase expenditures and may directly result in nominal fee increases for Authority programs to the general public. The increased fees for programs will directly result from increases in operating costs to provide them.

A 2004 budget comparison schedule is presented in the Required Supplementary Information section on page 9.

Requests for Information

This financial report is designed to provide a general overview of the DeWitt Area Recreation Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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BASIC FINANCIAL STATEMENTS

DeWitt Area Recreation Authority

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

December 31, 2004

	Special Revenue Fund	Adjustments	Statement of Net Assets
ASSETS			
Current assets			
Cash	\$ 112,920	\$ -	\$ 112,920
Noncurrent assets			
Capital assets, net	-	4,878	4,878
Total assets	<u>\$ 112,920</u>	4,878	117,798
LIABILITIES			
Current liabilities			
Accounts payable	\$ 2,743	-	2,743
Accrued wages	1,662	-	1,662
Other accrued liabilities	919	-	919
Deferred revenue	3,468	-	3,468
Current portion of compensated absences	-	3,241	3,241
Total current liabilities	8,792	3,241	12,033
Noncurrent liabilities			
Compensated absences	-	1,389	1,389
Total liabilities	8,792	4,630	13,422
FUND BALANCE/NET ASSETS			
Fund balance			
Unreserved - undesignated	<u>104,128</u>	(104,128)	-0-
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 112,920</u>	-	-0-
NET ASSETS			
Unrestricted		<u>\$ 104,376</u>	<u>\$ 104,376</u>

See accompanying notes to financial statements.

DeWitt Area Recreation Authority

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

	Special Revenue Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Current			
Salaries and wages	\$ 83,830	\$ 1,938	\$ 85,768
Fringe benefits	23,401	-	23,401
Supplies and materials	6,085	-	6,085
Postage	1,133	-	1,133
Program costs	28,762	-	28,762
Contracted services	8,185	-	8,185
Telephone	2,431	-	2,431
Rent	2,520	-	2,520
Insurance	7,516	-	7,516
Dues and memberships	685	-	685
Training and conferences	1,751	-	1,751
Mileage	1,999	-	1,999
Depreciation	-	375	375
Other	1,613	-	1,613
Capital outlay	5,253	(5,253)	-
TOTAL EXPENDITURES/EXPENSES	175,164	(2,940)	172,224
PROGRAM REVENUES			
Charges for services	75,393	-	75,393
NET PROGRAM EXPENSE	(99,771)	2,940	(96,831)
GENERAL REVENUES			
Intergovernmental - local	150,000	-	150,000
Interest	494	-	494
Other	2,548	-	2,548
TOTAL GENERAL REVENUES	153,042	-0-	153,042
EXCESS OF REVENUES OVER EXPENDITURES	53,271	(53,271)	-0-
CHANGE IN NET ASSETS	-	56,211	56,211
Fund balance/Net assets			
Beginning of year	50,857	(2,692)	48,165
End of year	\$ 104,128	\$ 248	\$ 104,376

See accompanying notes to financial statements.

DeWitt Area Recreation Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The DeWitt Area Recreation Authority is a joint venture between DeWitt Charter Township and the City of DeWitt, and was established in 2003 to provide recreation services. The Authority's activities are overseen by a six (6) member board of Directors, with each municipality appointing three (3) members. Each municipality provides annual appropriations to subsidize operations. The initial contribution approved by the Authority requires DeWitt Charter Township and the City of DeWitt to provide approximately 56 and 44 percent, respectively.

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements are exclusive presentations of the financial condition and results of operations of the DeWitt Area Recreation Authority. The Authority is considered a "joint venture" of DeWitt Charter Township and the City of DeWitt.

2. Basis of Presentation and Measurement Focus

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Authority as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, adjustments are reflected on the face of the financial statements. Those adjustments are explained in detail in Note G.

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and all local government appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Authority.

FUND FINANCIAL STATEMENTS

The Authority uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Authority's individual major fund.

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

2. Basis of Presentation and Measurement Focus - continued

The major fund of the Authority is:

Special Revenue Fund - This fund is used to account for all financial resources of the Authority, which are restricted to expenditures for specified recreation related purposes.

3. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Authority before it has legal claim to them, such as when program fees are received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The Authority reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when the Authority receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

4. Budgets and Budgetary Accounting

The annual budget of the Authority is prepared by Authority management and approved by the Board at the total expenditure level. Any revisions to the original budget are approved by the Board before the end of the fiscal year.

5. Cash

Cash consists of the Authority's money market checking account.

6. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the Government-wide financial statements. Capital assets are those with an initial individual cost of \$2,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the Government-wide financial statements. Purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

6. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	5 - 7 years
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7. Deferred Revenue

The Authority has recorded deferred revenue at both the government-wide and the fund level equaling the amount of program fees received from participants for the subsequent year's programs.

8. Compensated Absences

The Authority employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount, along with related payroll taxes has been recorded as a long-term liability in the government-wide financial statements.

9. Comparative Data

Comparative data for the prior year has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

DeWitt Area Recreation Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE B: CASH - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation or Government National Mortgage Association.

The Authority's bank deposits at December 31, 2004, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash		
Checking account	<u>\$ 112,920</u>	<u>\$ 114,726</u>

Bank deposits of the Authority are at federally insured banks located in the State of Michigan with the account maintained in the name of the Authority. As of December 31, 2004, the Authority's account was insured by the FDIC for \$100,000, and the amount of \$14,726 was uninsured and uncollateralized.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

	<u>Balance Jan. 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Dec. 31, 2004</u>
Equipment	\$ -	\$ 5,253	\$ -	\$ 5,253
Less accumulated depreciation for: Equipment	<u>(-)</u>	<u>(375)</u>	<u>-</u>	<u>(375)</u>
Capital assets, net	<u>\$ -0-</u>	<u>\$ 4,878</u>	<u>\$ -0-</u>	<u>\$ 4,878</u>

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Authority for the year ended December 31, 2004:

	<u>Balance Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2004</u>	<u>Amounts Due Within One Year</u>
Compensated absences	<u>\$ 2,692</u>	<u>\$ 1,938</u>	<u>\$ -</u>	<u>\$ 4,630</u>	<u>\$ 3,241</u>

Significant details regarding outstanding long-term debt are presented below:

Compensated absences

Employees of the Authority are granted vacation time in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated sick leave and vacation at full current rate of pay.

DeWitt Area Recreation Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE D: LONG-TERM DEBT - CONTINUED

Compensated absences - continued

Accumulated sick leave and vacation pay represent a liability to the Authority and is presented as a long-term liability. Payments to employees for sick leave and vacation pay are recorded as expenditures when they are used and payments are actually made to the employees.

At December 31, 2004, the Authority's total liability for sick leave and vacation pay amounted to \$4,630. The amount of \$3,241 is recorded as a current liability, and the balance of \$1,389 is recorded as a long-term liability on the Statement of Net Assets.

NOTE E: RISK MANAGEMENT

The Authority carries commercial insurance for the risk of loss due to workers' compensation claims.

The Authority also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Authority has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

NOTE F: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedule, the Authority's budgeted expenditures in the Special Revenue Fund have been shown at the expenditure level. The approved budgets of the Authority have been adopted at the expenditure level for the Special Revenue Fund.

During the year ended December 31, 2004, the Authority incurred expenditures in the Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Telephone	\$ 2,400	\$ 2,431	\$ 31
Insurance	6,700	7,516	816
Dues and memberships	520	685	165
Mileage	500	1,999	1,499

NOTE G: RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Authority's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities, respectively. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

DeWitt Area Recreation Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

Total fund balance - governmental fund	\$ 104,128
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources.

The cost of capital assts is	\$ 5,253	
Accumulated depreciation is	(375)	

Capital assets, net	4,878
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Compensated absences are included as a liability.	(4,630)
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Net assets of governmental activities	<u>\$ 104,376</u>
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Net change in fund balance - governmental fund	\$ 53,271
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Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds.
However, in the statement of activities, the cost of capital assets
is allocated over their useful lives as depreciation expense.
In the current period, these amounts are:

Capital outlay	\$ 5,253	
Depreciation expense	(375)	

Excess of capital outlay over depreciation expense	4,878
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The increase in the accrual for long-term compensated absences is
reported as an expenditure in the statement of activities, but not in
the fund statements.

	(1,938)
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Change in net assets of governmental activities	<u>\$ 56,211</u>
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REQUIRED SUPPLEMENTARY INFORMATION

DeWitt Area Recreation Authority

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - local	\$ 150,000	\$ 150,000	\$ 150,000	\$ -0-
Charges for services	60,000	60,000	75,393	15,393
Interest	2,000	2,000	494	(1,506)
Other	4,000	4,000	2,548	(1,452)
TOTAL REVENUES	216,000	216,000	228,435	12,435
EXPENDITURES				
Current				
Salaries and wages	84,575	84,575	83,830	745
Fringe benefits	33,400	33,400	23,401	9,999
Supplies and materials	6,747	6,747	6,085	662
Postage	1,400	1,400	1,133	267
Program costs	36,000	36,000	28,762	7,238
Contracted services	11,300	11,300	8,185	3,115
Telephone	2,400	2,400	2,431	(31)
Rent	2,520	2,520	2,520	-0-
Insurance	6,700	6,700	7,516	(816)
Dues and memberships	520	520	685	(165)
Training and conferences	3,000	3,000	1,751	1,249
Mileage	500	500	1,999	(1,499)
Other	3,300	3,300	1,613	1,687
Capital outlay	5,253	5,253	5,253	-0-
TOTAL EXPENDITURES	197,615	197,615	175,164	22,451
EXCESS OF REVENUES OVER EXPENDITURES	18,385	18,385	53,271	34,886
Fund balance, beginning	50,857	50,857	50,857	-0-
Fund balance, ending	\$ 69,242	\$ 69,242	\$ 104,128	\$ 34,886

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

MANAGEMENT LETTER

Members of the Board of Commissioners
DeWitt Area Recreation Authority
DeWitt, Michigan

As you know, we have recently completed our audit of the records of the DeWitt Area Recreation Authority as of and for the year ended December 31, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is the result of our evaluation of the internal control structure and our discussions with management.

The Board should obtain bonding for employees and Board members who handle cash.

During our analysis, it was noted that the Board does not have a fidelity bond on all individuals who handle cash for the Authority.

We suggest that the Board consider obtaining bonding for all individuals who handle cash for the Authority. By bonding individuals who handle cash, the Authority would limit the amount of any potential losses.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated March 9, 2005.

This report is intended solely for the information and use of the management and Board of Commissioners of the DeWitt Area Recreation Authority and is not intended to be used by anyone other than these specific parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss this suggestion with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 9, 2005